

Memorandum

To: Panel Members Date: September 26, 2001

From: Creighton Chan, Manager
Peter DeMauro, General Counsel File: Liberate.130agr

Subject: One-Step Agreement for **Liberate Technologies**
(www.liberate.com)

CONTRACTOR:

- Training Project Profile: Retraining: companies w/out-of-state competition
- Legislative Priorities: Stimulating Exports / Imports
- Type of Industry: Communication Software Development
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 531
 - In California: 293
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$134,400
- Substantial Contribution: \$0
- Total ETP Funding: \$134,400
- In-Kind Contribution: \$350,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Mateo
- Duration of Agreement: 24 months

TRAINING PLAN:

- Average Cost Trainee: New Hire: \$0 Retrainee: \$800
- Type(s) of Training: Advanced Technology (AT): Interactive TV Applications
- Number to be retained: New Hire: 0 Retrainee: 168
- Range of hours: 40
- Range of hourly wages: \$39.00 to \$46.00
- Prevalent hourly wage: \$42.50
- Weighted average hourly wage: \$48.00
- Health benefits used to meet ETP
 minimum wage: No

SUBCONTRACTORS: Deloitte & Touche, San Francisco, California, for an amount not to exceed \$8,040 for project administration.

THIRD PARTY SERVICES: Deloitte & Touche, San Francisco, California assisted with the application for ETP funds. Amount reimbursed for services is \$21,960 based on an hourly rate.

NARRATIVE:

Liberate Technologies (Liberate) began in 1995 as a division of Oracle Corporation. In 1996 the division separated as Network Computer, Inc. (NCI). Three years later NCI became Liberate, a company that now partners with world-class businesses such as semiconductor makers, set-top box suppliers, and third-party integration firms to develop software and hardware solutions for interactive television. Headquartered in San Carlos with 293 California employees, the company also has facilities in Pennsylvania, Utah, Canada, the United Kingdom and Japan. Under Title 22, California Code of Regulations, Section 4416(a)(3,4), Liberate meets ETP's out-of-state competition requirement, because it produces pre-packaged software in competition with out-of-state companies.

Liberate produces interactive products such as the digital set-top box for televisions, which allows customers to play games, create their own TV schedules, pause, rewind, and employ slow motion and instant replay. Though Liberate does not manufacture such "boxes," it designs and produces the software platform that controls whatever applications customers need. It's customers employ a wide spectrum of cable, digital satellite and telecommunications network services such as interactive TV products, and include such companies as AOL Time Warner, AT&T Broadband, StarTV and the TV Guide channel. A secondary source of revenue is providing technical support and consulting for software troubleshooting and applications for interactive TV use. Such products and services are designed to receive television signals and translate those signals to fit each consumer's specifications.

NARRATIVE: (continued)

The market in which Liberate software products are sold is young and highly competitive. Out-of-state companies such as Microsoft and Canal+ Technologies along with many smaller, start up companies are developing similar products, including TV services for shopping, sending e-mail and downloading film from the World Wide Web. Because Liberate is at a critical stage of product design, it now needs a formal, centralized approach to training in order to remain competitive. The company estimates that their engineers and designers are working in technology that is 2 to 2-1/2 years old. The industry has changed rapidly during that period, which entails revamping its training program so that employees acquire a uniform set of cutting-edge skills.

To remain competitive the company must retrain 168 engineers and software architects in advanced computer programming skills such as Video on Demand, Interactive Programming Guides, Foreign Language support, Interactive Gaming and Voice Over Internet in order to stay competitive.

Supplemental Nature of Training

The employer states that currently there is no current educational institution that offers training for interactive TV engineers. Additionally, the company has not had a standardized training program for training its engineers; all training was done on an ad hoc on-the-job training basis. The company practice has been to hire engineers and system architects with technical knowledge and experience, usher them through a new-employee orientation, and then put them to work where they informally and inconsistently acquire advanced technical skills and proprietary information. Liberate's representatives state that there was no training budget for this type of training. The proposed ETP training will allow engineers and system architects to receive the same training in a formal setting, thus standardizing their skills and knowledge. The company states that without the ETP funding it cannot provide this training.

With ETP funding as a first building block, the company will use this training as the prototype for future training programs. For the two years after ETP training the company will provide additional ongoing advanced technical skills training for which it will budget \$75,000/year.

In-Kind Contribution

Total employer contributions for Liberate will be approximately \$350,000 in trainee wages and benefits.

COMMENTS:

The company is requesting training at the Advanced Technology rate of \$20 per hour due to the highly specialized and advanced nature of the company's training needs. The Advanced Technology rate will allow intense training groups of eight to ten trainees each at the company's state-of-the-art training facility. Liberate's in-house trainers will provide all instruction at San Carlos headquarters.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement if funding is available and the project meets Panel priorities. This recommendation is based on Liberate Technologies' goal to retrain employees and remain an industry leader. This extensive retraining effort will contribute to the long-term job security for its California workers and to the expansion of the company's California workforce.

Contractor: Liberate Technologies

Training Data									(c) Payment Schedule				
1	2	3	4	5 (a) Cls/Lab Video- conf. Hours	6 CBT Hours	7 (b) SOST Hours	8 Cost Per Trainee	9 Total SOST Trainer Hrs.	10 Hrs. to Enroll/ Pay 1 Enroll	11 Pay 2 Compl	12 Pay 3 Hired	13 Pay 4 After 90 Days	14 (d) Wage After Reten- tion
Job #	Occupations	Type of Training	No. Retain										
1	Engineers, System Architects	Direct-Employer, Retrainees <i>Interactive TV</i> <i>Applications (AT)</i>	168	40			\$800		8	\$ 200.00	\$ 400.00	\$ -	\$ 200.00
687				40									\$39.00 - \$46.00

Contract Totals			
Program Cost		\$134,400	Total to be Retained 168
Substantial Contribution (___%)	(-)	\$0	
Multiple-Empl. Support (___%)	(+)	\$0	
TOTAL ETP Funding	(=)	\$134,400	

(a)Advanced Technology must be provided as class/lab.

(b)Figures for calculation purpose only.

(c)For Welfare to Work: Pay 2=50% Completion hrs. Pay 3=100% Completion hrs.

(d)Wages by occupation on Comment Page.

Contractor: Liberate Technologies

Turnover Rate	% of Mgrs. & Sups. to be trained		Health Benefits Inc. in Wage?		
15.0%	0.0%		No		

Location of training: All training will be given on company premises in San Carlos, CA during work hours.

Ratios: The ratio of trainers to trainees for Advanced Technology class/lab training shall not exceed 1:10 for retrainees

If Health Benefits is "YES", please explain: N/A

Other notes:

(d) Wages by occupation after retention:

<u>Occupations</u>	<u>Wage Range</u>
Engineer	\$39 to \$46/hour
System Architect	\$39 to \$46/hour